Bethlehem Steel Corporation

1966 Annual Report

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

q 334.01
B465r

Cover: Three basic oxygen furnaces at the Lackawanna Plant. Their combined annual capacity is 4.7 million tons.

Bethlehem structural shapes frame a village bandstand on Long Island (above) and the Saratoga Performing Arts Center in Saratoga Springs, N. Y.

Annual Meeting

The Annual Meeting of Stockholders will be held at 10 a.m. on Tuesday, April 25, 1967, in the Nemours Auditorium, Nemours Building, Orange Street, Wilmington, Delaware.

Stock Transfer Offices

Bethlehem Steel Corporation
25 Broadway
New York, N.Y. 10004

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

Registrars of Stock

Morgan Guaranty Trust Company of New York
New York, N. Y. 10015

The First National Bank of Chicago
Chicago, Illinois 60690

Counsel

Cravath, Swaine & Moore
New York, N. Y. 10005

Independent Accountants

Price Waterhouse & Co.
New York, N. Y. 10004

Bethlehem Steel Corporation

1966 Annual Report

Directors

Crowdus Baker
Edward D. Bickford
Russell K. Branscom
Bernard D. Broeker
Stewart S. Cort
Jess H. Davis
Lewis W. Foy
Harold H. Helm
Robert B. Hobbs
John E. Jacobs
Edmund F. Martin
Monroe J. Rathbone
Albert M. Reed
Ivor D. Sims

Principal Officers

Edmund F. Martin
Chairman

Stewart S. Cort
President

Ivor D. Sims
Executive Vice President

Edward D. Bickford
Vice President, Sales

Donald J. Blickwede
Vice President and Director of Research

Russell K. Branscom
Vice President, Industrial and Public Relations

Bernard D. Broeker
Chairman of Finance Committee and General Counsel

Floyd S. Eckhardt
Vice President, Engineering

Lewis W. Foy
Vice President, Purchasing

John C. Howard
Vice President, Traffic

John E. Jacobs
Vice President, Operations

Edward P. Leach
Vice President, Mining

Albert M. Reed
Vice President, Accounting and Comptroller

A. James Slater
Vice President, Special Assignments

Daniel D. Strohmeier
Vice President, Shipbuilding

Francis Van Nuys
Vice President, Law

James H. Walker
Vice President, Finance

Ben L. Bishop
Assistant Vice President, Sales

John F. Callahan
Assistant Vice President, Accounting

Charles W. Ganzel
Assistant Vice President, Sales

Robert J. Jurgen
Assistant Vice President, Traffic

John J. O'Connell
Assistant Vice President, Industrial and Public Relations

Henry R. Pund
Assistant Vice President, Shipbuilding

C. Thompson Stott
Assistant Vice President, Operations

R. Stockton Taylor
Assistant Vice President, Sales

Robert C. Sonneman
Secretary

Edward W. Morris
Treasurer

Financial and Operating Summary

	1966	1965
Net income—Amount	$ 170,933,000	$ 150,028,000
—Per dollar of total revenues	6.4¢	5.8¢
—Per share	$3.72	$3.26
Dividends —Amount	$ 82,769,000	$ 68,803,000
—Per share	$1.80	$1.50
Common Stock at year end—Shares outstanding	45,982,000	45,987,000
—Stockholders	248,000	245,000
Total revenues	$2,691,702,000	$2,601,226,000
Depreciation	$ 211,997,000	$ 196,062,000
Taxes—Federal, state, local and foreign	$ 182,233,000	$ 190,798,000
Capital expenditures—		
Wholly owned enterprises	$ 265,097,000	$ 377,609,000
Investments in partially owned enterprises	13,059,000	5,604,000
Capital expenditures authorized at year end—		
Wholly owned enterprises	$ 841,000,000	$ 311,000,000
Investments in partially owned enterprises	17,600,000	11,100,000
Long-term debt at year end	$ 230,999,000	$ 240,326,000
Raw steel produced (net tons)	21,275,000	21,032,000
Steel products shipped (net tons)	13,849,000	14,319,000
Orders on hand at year end	$ 805,000,000	$ 654,000,000
Employees—Monthly average number	133,000	130,000

The Year in Review

Edmund F. Martin, Chairman

Bethlehem's net income in 1966 amounted to $170,933,000, or $3.72 per share of Common Stock, compared with $150,028,000, or $3.26 per share, in 1965. Net income per dollar of total revenues was 6.4 cents, compared with 5.8 cents in 1965.

Bethlehem established a new production record of 21,275,000 net tons of raw steel during 1966. The previous record was 21,032,000 net tons in 1965.

13,849,000 net tons of rolled steel and other finished products were shipped during 1966, compared with 1965 shipments of 14,319,000 net tons. Quarterly shipments during 1966 were as follows:

1st quarter	3,286,000 net tons
2nd quarter	3,805,000 net tons
3rd quarter	3,529,000 net tons
4th quarter	3,229,000 net tons

Capital Expenditures

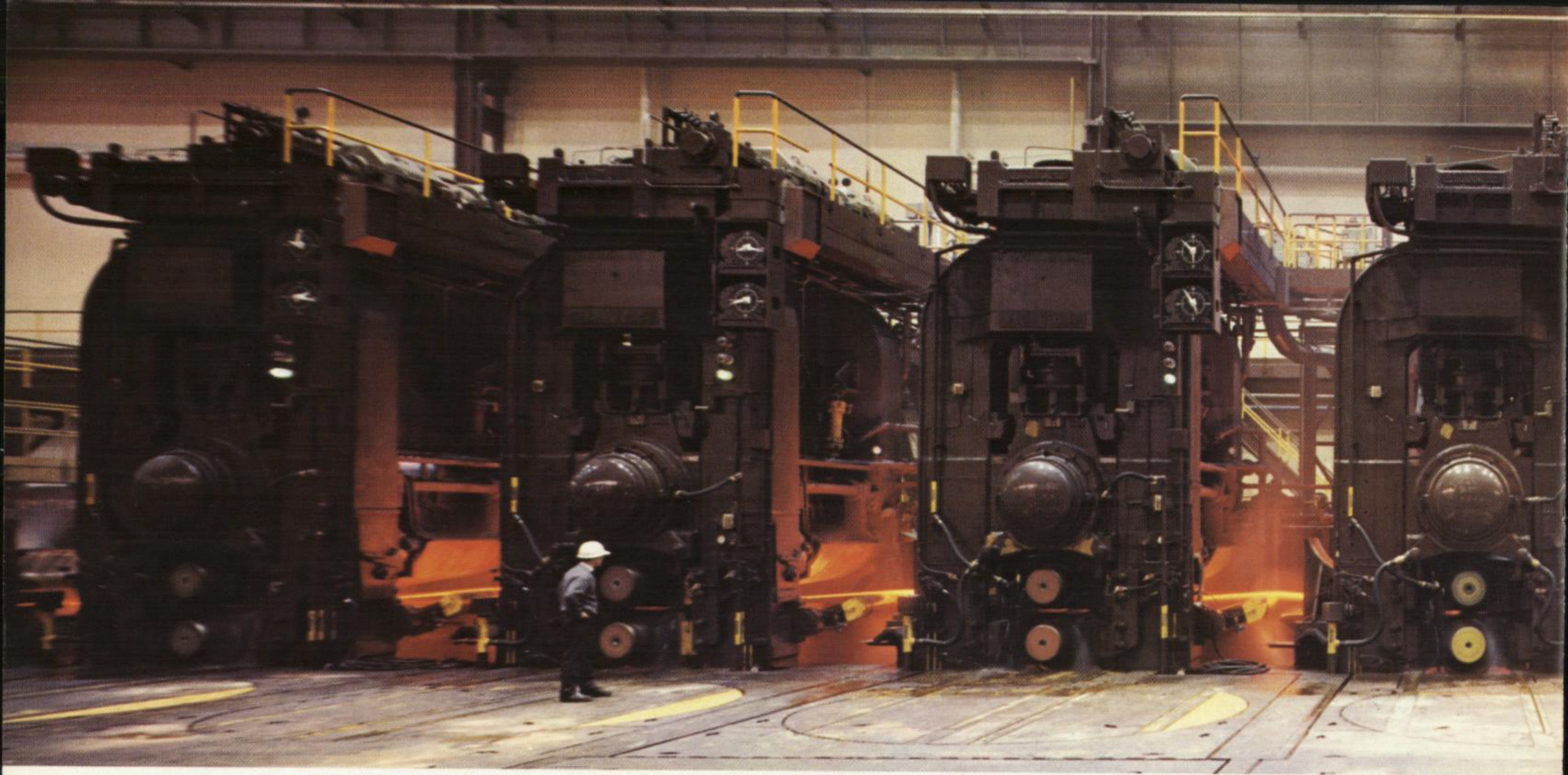
Expenditures during 1966 for additions and improvements to property, including investments in partially owned enterprises, amounted to $278,156,000, compared with $383,213,000 in 1965. The lower 1966 expenditure was due in part to construction delays encountered by reason of shortages of labor and material and in part to delays in completing certain acquisitions of coal reserves.

The estimated cost of completing authorized additions and improvements at the year end was $858,600,000. Total capital expenditures in 1967 are expected to approximate $400,000,000.

Provisions for depreciation in 1966 amounted to $211,997,000, compared with $196,062,000 in 1965.

Burns Harbor Plant

In October, 1966, Bethlehem announced, as a further step in the long range plans for the Burns Harbor Plant, a program for the next five years, estimated to cost more than $500,000,000. The



The 80 inch hot mill at Burns Harbor rolled its first coils of steel sheet in 1966. It is computer controlled from steel slab to coiler. The automotive industry is an important customer for Bethlehem sheets.

program provides steelmaking facilities, including a battery of coke ovens, a blast furnace, two basic oxygen furnaces and a slabbing mill, and a bar mill and other additional finishing facilities.

At present the Burns Harbor Plant has only steel finishing facilities, consisting of a 160 inch sheared plate mill which began operating in December, 1964, an 80 inch cold rolled sheet and tin mill complex completed in 1965 and an 80 inch hot strip mill which produced its first coils in September, 1966.

In October, 1966, the State of Indiana formally dedicated its Burns Waterway Harbor, which adjoins the Burns Harbor Plant. The State commenced work on the harbor in July. Bethlehem has started construction of the east wall of the harbor in accordance with its agreement with the State, and has also started work on the enclosure of the underwater land which it has purchased from the State of Indiana.

The harbor is expected to be ready for use in 1969 and Bethlehem plans to begin steelmaking operations shortly thereafter.

Other Capital Authorizations

Other important capital additions authorized during the year include a combination heavy gauge skin mill and cutting-up line and waste heat steam generating facilities at the Lackawanna Plant; two basic oxygen furnaces and electric power facilities at the Bethlehem Plant; railroad wheel and axle facilities and electrostatic precipitators to further decrease air pollution at the Johnstown Plant; and billet preparation facilities and improvements to a blast furnace at the Sparrows Point Plant.

Bethlehem is steadily increasing its capacity to produce raw steel by the basic oxygen furnace process. A special section of this Report tells the story of Bethlehem's progress in this important field.

Pinole Point

In December, 1966, a new galvanizing line at Pinole Point in Richmond, California, came into operation. It incorporates the most advanced technology in sheet galvanizing and is producing galvanized sheets of the highest quality to serve customers in the western part of the United States.

New Financing

In January of this year, Bethlehem sold $150,000,000 principal amount of its 5.40% Debentures, due January 15, 1992. The net proceeds from the sale, supplemented by other corporate funds, will be used in meeting the cost of additions and improvements to property and for other corporate purposes.

In August, 1966, Bethlehem entered into an agreement with a group of ten banks, which provided for revolving credit and term loans in an aggregate amount not exceeding $100,000,000. No funds were borrowed under the agreement and it was terminated January 31.

Pollution Control

In attacking the problem of air and water pollution in its plants and mines, Bethlehem has spent about $100,000,000 since 1950 on pollution control and related equipment.

At the Lackawanna Plant, Bethlehem spent almost $24,000,000 during that time for air and water pollution control. In 1966 it initiated a study of the facilities required to correct the remaining water pollution problems at the plant, the estimated cost of which facilities is about $25,000,000.

Steel guard rail is helping to save lives on many of the nation's highways.

Heavy earth moving equipment is built with many tons of steel plates and shapes.

Steel line pipe is shipped from steel plant to job site. Bethlehem also supplies steel to the nation's railroads.

At the Burns Harbor Plant in Indiana more than $20,000,000 has been spent on waste water treatment alone.

The progress at these two plants represents only a part of Bethlehem's pollution control efforts, but it conveys an idea of the magnitude of the equipment and facilities required to solve the problem.

Steel Imports

Imports of finished steel products in 1966 exceeded the previous record of 10.4 million tons imported in 1965. The United States is by far the largest steel consuming area in the world and, compared with other important markets for steel, has few restrictions on imports. Accordingly, it is the principal target for growing exports from other countries.

A strong, privately managed steel industry in the United States is fundamental to its industrial and economic strength. The industry's position of world leadership has been an important factor in the nation's growth as a world power, but that leadership cannot be taken for granted. Maintaining it involves many complex financial, technical and commercial problems for the steel companies. The success of their efforts in solving those problems is strongly affected by the fiscal, trade and other policies of the Federal government, and those policies, if badly conceived, can frustrate the companies' best efforts.

Bethlehem's research and development activities and its large program of capital expenditures are resulting in improved products and lower costs and are helping to stem the penetration of the United States market by imports.

Management

William H. Johnstone, Chairman of the Finance Committee and a Director, reached the Corporation's mandatory retirement age and retired on January 31, 1967, after serving Bethlehem for more than 42 years. Bernard D. Broeker, General Counsel of the Corporation, was elected Chairman of the Finance Committee and a Director, effective February 1, 1967, to succeed Mr. Johnstone.

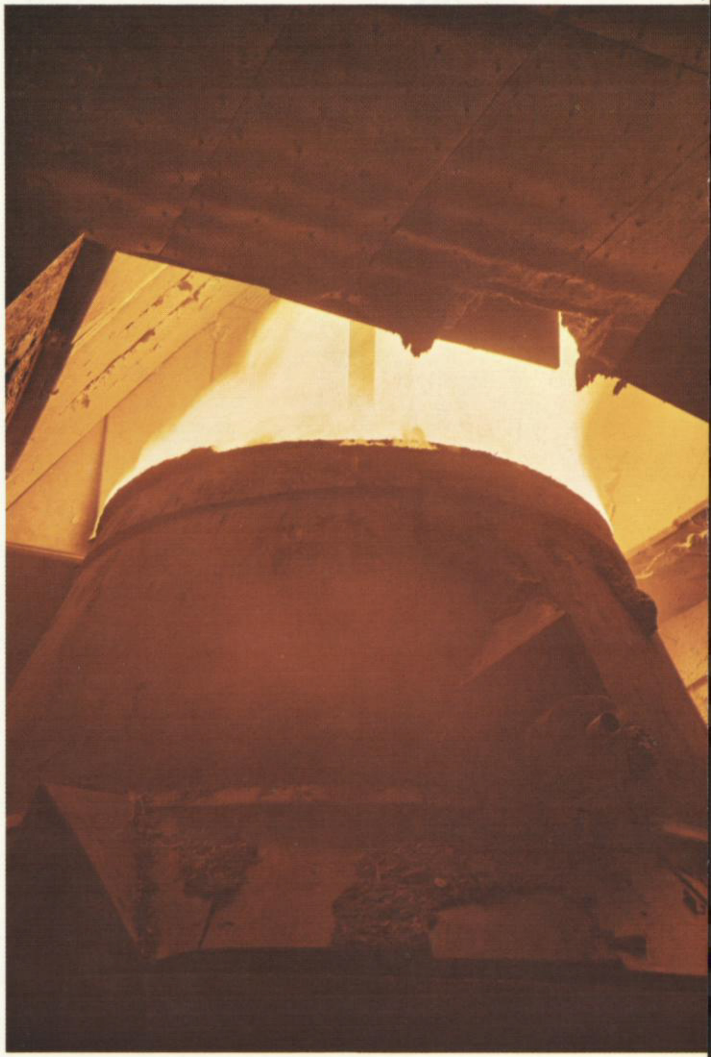
Year End Special Dividend

Improved earnings enabled Bethlehem to pay a year end special dividend of 30 cents a share on December 29, 1966.

Edmund F. Martin

February 9, 1967 *Chairman*

The control room of a BOF is a maze of instruments.
The proper mix of raw materials is determined by computer.



The oxygen lance is lowered into the furnace and
creates the intense heat needed to refine the metal.

doors and immersed in the bath, there was developed the more refined method of injecting the oxygen into the bath from a water-cooled lance extending through the furnace roof and positioned above the bath, much like oxygen injection in the BOF. The development was successful. The production rates of many furnaces were substantially increased — even doubled — and the practice is still being used to advantage in Bethlehem's open hearth operations.

In the meantime, small basic oxygen furnace operations, which also took advantage of low-cost tonnage oxygen, were installed in Europe and elsewhere in the world, especially in those places where an ample supply of molten iron and a shortage of scrap made the converter a more suitable steelmaking furnace than the open hearth. An installation of basic oxygen furnaces of 36 ton capacity began operation in Austria at the Linz plant of United Austrian Iron and Steel Works Company in November, 1952.

The first basic oxygen converter shop in North America, consisting of two 45 ton furnaces, was installed by Dominion Foundries and Steel, Limited, of Hamilton, Ontario, and began operation in the latter part of 1954.

For the next several years BOF development was confined to relatively small furnaces. Fifty furnaces had been installed by the late

1950's, but none exceeded 80 tons in design capacity.

Bethlehem kept its engineering studies of developments in this field up to date in order to be ready to act at the proper time. It did not need additional steelmaking capacity in the late 1950's, and basic oxygen furnaces of the size envisioned at that time did not show a sufficient saving in operating cost over the operating cost of any of its open hearth shops to justify the capital expenditure required to replace an open hearth shop with a new BOF shop. During that period, other steel companies in the United States, with operating conditions differing from Bethlehem's, were installing relatively small BOF units. By the early 1960's, engineering advances permitted installation of large units of 200 to 300 ton capacity. In the fall of 1962 the estimated savings in operating costs, for the first time, justified the capital expenditure for a new BOF shop to replace one of Bethlehem's open hearth shops. Accordingly, an installation of two 250 ton furnaces at the Lackawanna Plant was approved in November, 1962, and completed in October, 1964.

A heat of BOF steel is tapped.

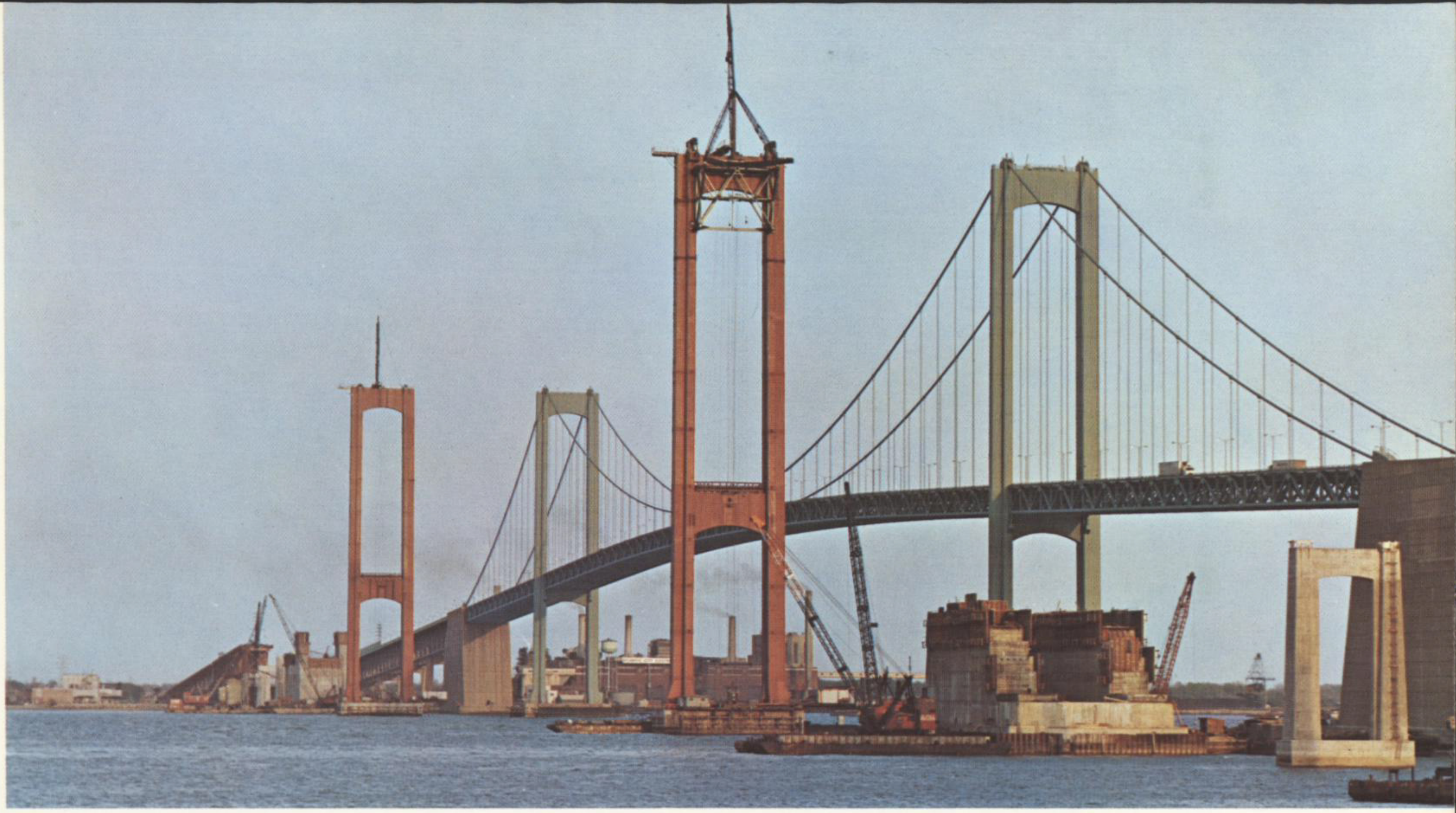
Two years later a third basic oxygen furnace at the Lackawanna Plant was completed. It increased the annual BOF capacity there from 2.7 to 4.7 million tons, making it larger than any other known BOF shop in the world. Late in 1965, two 200 ton basic oxygen furnaces were completed at the Sparrows Point Plant.

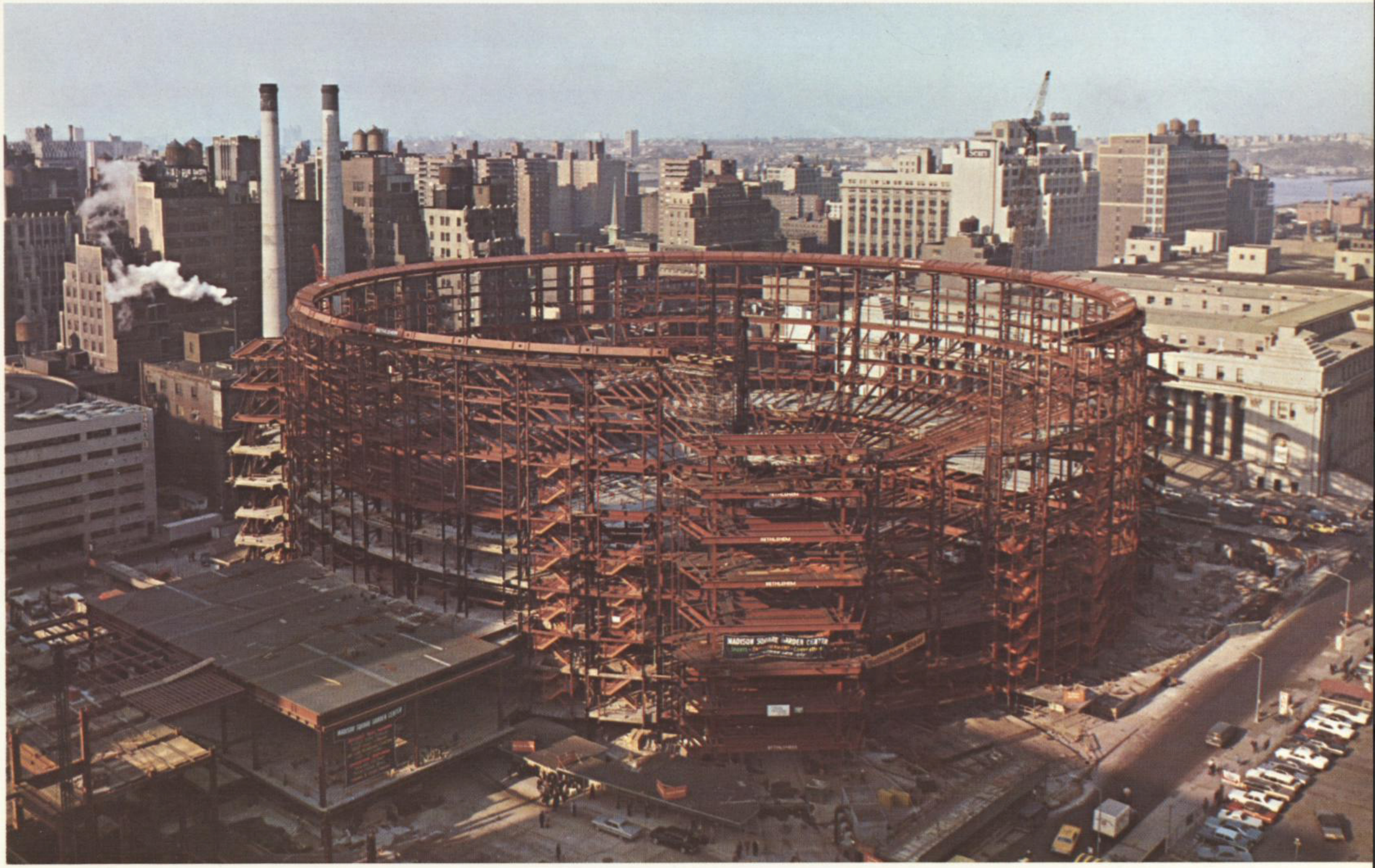
Bethlehem made over 5.4 million tons of BOF steel in 1966, *more than was produced by any other American steel company.*

Work is now under way on two basic oxygen furnaces at the Bethlehem Plant and two basic oxygen furnaces are included in the new expansion program at the Burns Harbor Plant.

The annual BOF steelmaking capacity in the United States now stands at about 38 million tons and is expected to increase to 72 million tons by the end of 1970.

Bethlehem's use of the basic oxygen process is just one phase of its continuing program of developing new, more efficient steelmaking methods and new steel products. Large scale research is helping Bethlehem to find still newer and better ways of making and using steel—the most versatile and economical metal of the age.





Bethlehem is fabricating and erecting the steel for these two major construction projects. Above is the second Delaware Memorial Bridge near Wilmington, and below, the new Madison Square Garden Sports and Entertainment Center in New York City.

Consolidated Balance Sheet

	December 31, 1966	December 31, 1965
Assets		
Current Assets:		
Cash	$ 61,959,000	$ 91,028,000
U. S. Government and other marketable securities, at cost (approximately market)	184,454,000	368,494,000
Receivables—less allowance for doubtful receivables	259,618,000	222,579,000
Inventories (page 18)	476,906,000	401,652,000
Total Current Assets	$ 982,937,000	$1,083,753,000
Investments and Long-Term Receivables:		
Investments in 50% or less owned raw material enterprises, at cost	141,073,000	142,751,000
Miscellaneous investments, at cost, and receivables	47,409,000	49,200,000
Property, plant and equipment, net (page 18)	1,384,053,000	1,334,165,000
Total	$2,555,472,000	$2,609,869,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 178,134,000	$ 225,725,000
Accrued taxes	114,180,000	198,257,000
Accrued employment costs	105,193,000	97,417,000
Other	45,333,000	59,762,000
Total Current Liabilities	$ 442,840,000	$ 581,161,000
Long-Term Debt (page 18)	230,999,000	240,326,000
Accrued Liabilities Payable After One Year	86,100,000	80,800,000
Stockholders' Equity:		
Common Stock (Note B)	$ 575,779,000	$ 575,992,000
Income invested in the business	1,219,754,000	1,131,590,000
Total Stockholders' Equity	$1,795,533,000	$1,707,582,000
Total	$2,555,472,000	$2,609,869,000

Consolidated Statement of Income and Income Invested in the Business

	1966	1965
Revenues:		
Net sales	$2,669,437,000	$2,579,384,000
Interest, dividends and other income	22,265,000	21,842,000
	$2,691,702,000	$2,601,226,000
Costs and Expenses:		
Cost of sales	$1,974,531,000	$1,917,978,000
Depreciation	211,997,000	196,062,000
Pensions (Note C)	30,210,000	28,260,000
Taxes, other than taxes on income	89,933,000	75,498,000
Selling, administrative and general expense	113,350,000	108,954,000
Interest and other debt charges	8,448,000	9,146,000
Provision for taxes on income:		
Federal (Note D)	66,000,000	88,000,000
Other	26,300,000	27,300,000
	$2,520,769,000	$2,451,198,000
Net Income	$ 170,933,000	$ 150,028,000
Net income per share	*$3.72*	*$3.26*
Income Invested in the Business, January 1	1,131,590,000	1,050,365,000
	$1,302,523,000	$1,200,393,000
Dividends	82,769,000	68,803,000
Dividends per share	*$1.80*	*$1.50*
Income Invested in the Business, December 31	$1,219,754,000	$1,131,590,000

Notes to Consolidated Financial Statements

A. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all wholly owned subsidiaries.

B. Common Stock

There are authorized 80,000,000 shares of Common Stock, with a par value of $8, of which there were outstanding 45,981,775 shares (net of 5,343 shares reacquired in 1966 and held in treasury) at December 31, 1966, and 45,987,118 shares at December 31, 1965. The amount shown for Common Stock for 1966 reflects the deduction of the cost of such 5,343 shares.

At December 31, 1966, 861,600 shares of authorized but unissued Common Stock were reserved for the exercise of stock options granted under the Stock Option Plan at various dates between September, 1957, and April, 1962, and held by 208 optionees. The options are exercisable at prices ranging from $41 to $51 per share and expire on various dates between September, 1967, and April, 1972. No options were exercised during 1966, and options covering 43,500 shares terminated. No additional options may be granted under the Plan.

C. Pensions

The amounts charged against income for pensions in 1966 and 1965 were mainly in respect of pensions under the Pension Plan of Bethlehem Steel Corporation and Subsidiary Companies, which provides retirement benefits for all employees except certain domestic and foreign employees covered by other plans. The major portion of those amounts was paid into the Pension Trust Fund under the Pension Plan.

The net assets, at cost, of the Pension Trust Fund at December 31, 1966, amounted to $443,446,000 (page 19) and are sufficient to fully fund pensions already granted and to provide substantial additional amounts for pensions which may be subsequently granted. In the opinion of the Corporation and its independent actuary, such additional amounts constituted in the light of the circumstances prevailing at December 31, 1966, a reasonable provision for the estimated actuarial liability at that date in respect of nonretired employees. The aggregate market value of such assets is substantially more than the cost thereof. The Pension Trust Fund is not the property of the Corporation or its subsidiaries and therefore is not included in the consolidated financial statements.

D. Provision for Federal Income Taxes

Net income for 1966 reflects a reduction in the provision for Federal income taxes equal to the 1966 investment tax credit of approximately $20,400,000. The comparable reduction in the provision for Federal income taxes in 1965 was $20,600,000.

E. Commitments

Based on its proportionate stock interest in certain 50% or less owned raw material enterprises, the Corporation is entitled to receive its share of the raw materials produced by such enterprises and is committed to pay its share of their costs, including amortization of their long-term indebtedness. Such amortization averages approximately $7,900,000 annually through 1983.

Summary of Changes in Working Capital

	1966	1965
Working capital, January 1	$502,592,000	$592,696,000
Additions:		
Net income	$170,933,000	$150,028,000
Depreciation	211,997,000	196,062,000
Total from operations	$382,930,000	$346,090,000
Return of investments in partially owned enterprises	14,270,000	19,344,000
Proceeds from sales of property	4,000,000	3,434,000
Other, net	6,557,000	(2,896,000)
Total	$407,757,000	$365,972,000
Deductions:		
Capital expenditures	$278,156,000	$383,213,000
Dividends	82,769,000	68,803,000
Purchases of long-term debt less, in 1965, cash received on conversion of Debentures	9,327,000	4,060,000
Total	$370,252,000	$456,076,000
Working capital, December 31	$540,097,000	$502,592,000

Opinion of Independent Accountants

To the Board of Directors and Stockholders
of Bethlehem Steel Corporation:

In our opinion, the accompanying consolidated balance sheet, the related consolidated statement of income and income invested in the business and the summary of changes in working capital present fairly the financial position of Bethlehem Steel Corporation and its subsidiaries consolidated at December 31, 1966, the results of their operations for the year and the supplementary information on changes in working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N. Y.
February 9, 1967

Price Waterhouse & Co.

Inventories

	December 31, 1966	December 31, 1965
Ore, fluxes, fuel and coal chemicals	$ 109,544,000	$ 112,832,000
Pig iron, alloys, scrap and manufacturing supplies	109,810,000	92,611,000
Finished and semi-finished products	180,248,000	137,818,000
Contract work in progress	77,304,000	58,391,000
	$ 476,906,000	$ 401,652,000

Note: Inventories (other than contract work in progress, which is valued at cost less billings, adjusted for estimated partial profits or losses) are valued at the lower of cost or market using the last-in, first-out method, adopted in 1947, in costing the principal portion thereof.

Property, Plant and Equipment

	December 31, 1966	December 31, 1965
Steel producing and fabricating properties	$2,981,178,000	$2,775,587,000
Raw material properties, net of depletion	345,279,000	316,997,000
Transportation properties	166,031,000	157,463,000
Shipbuilding and ship repair properties	94,096,000	92,227,000
Total Property, Plant and Equipment, at cost	$3,586,584,000	$3,342,274,000
Less: Accumulated depreciation and amortization	2,202,531,000	2,008,109,000
	$1,384,053,000	$1,334,165,000

Long-Term Debt

	December 31, 1966	December 31, 1965
Consolidated Mortgage Bonds		
Twenty-Five Year Sinking Fund 2¾% Bonds, Series I. Due July 15, 1970 *(No further Sinking Fund requirement at December 31, 1966)*	$ 49,500,000	$ 49,571,000
Thirty-Year Sinking Fund 2¾% Bonds, Series J. Due November 15, 1976 *(Sinking Fund requirements: $490,000 in 1968 and $1,000,000, annually, 1969 to 1975, inclusive)*	23,478,000	24,556,000
Thirty-Year Sinking Fund 3% Bonds, Series K. Due January 1, 1979 *(Sinking Fund requirements: $898,000 in 1969 and $1,000,000, annually, 1970 to 1978, inclusive)*	31,131,000	31,898,000
3¼% Twenty-five-Year Debentures. Due May 1, 1980	3,269,000	3,269,000
4½% Subordinated Debentures. Due January 1, 1990 *(Sinking Fund requirements: $4,076,000, annually, 1970 to 1989, inclusive. As a Purchase Fund, $1,359,000 must be available for a period of 30 days semi-annually from July 1,1967, through July 31, 1969, for purchase of Debentures at prices not exceeding principal amount, except to the extent the Corporation elects to apply Debentures acquired by it.)*	123,621,000	131,032,000
	$ 230,999,000	$ 240,326,000

Note: The amounts at December 31, 1966, are after deducting the following securities owned and available for Sinking Fund or Purchase Fund requirements: $1,012,000 Series J Bonds, $767,000 Series K Bonds and $6,798,000 Subordinated Debentures. The foregoing table does not include $150,000,000 of 5.40% Debentures, due January 15, 1992, sold in January, 1967.

Pension Trust Fund *of Bethlehem Steel Corporation and Subsidiary Companies*

Statement of Net Assets	**December 31, 1966**	**December 31, 1965**
Cash and accrued interest receivable	$ 2,748,000	$ 3,952,000
Investments, at cost:		
Short-term obligations	8,877,000	28,687,000
U.S. Government bonds	30,824,000	30,824,000
Other bonds, notes and obligations:		
Domestic corporate	103,050,000	99,982,000
Real estate mortgages	16,092,000	16,892,000
Foreign	19,218,000	20,590,000
Preferred stocks	5,848,000	4,035,000
Common stocks:		
Industrial	178,591,000	146,385,000
Public utility	45,856,000	39,275,000
Bank, finance and insurance	32,342,000	30,788,000
	$443,446,000	$421,410,000
Less: Amounts payable to brokers	—	2,570,000
Total Net Assets (Note)	$443,446,000	$418,840,000

Statement of Changes in Fund	**1966**	**1965**
Balance in Fund, January 1	$418,840,000	$390,885,000
Additions: Received from employing companies	28,058,000	26,291,000
Income from investments	20,862,000	19,567,000
Net gain on disposition of investments	6,206,000	9,858,000
	$473,966,000	$446,601,000
Deduction: Pension payments	30,520,000	27,761,000
Balance in Fund, December 31	$443,446,000	$418,840,000
Pensioners at year end	20,400	19,600

Note: The Pension Trust Fund is not the property of Bethlehem Steel Corporation or of its subsidiary companies and it is therefore not included in the consolidated financial statements. The aggregate market value of the total investments in the Fund is substantially more than the cost thereof.

Opinion of Independent Accountants

To the Trustees of the Pension Trust Fund of
Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying statement of net assets and statement of changes in the Fund present fairly the net assets of the Pension Trust Fund of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1966 and the changes in the Fund during the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation by the custodian of investments owned at December 31, 1966.

New York, N.Y.
February 9, 1967

Price Waterhouse & Co.

Ten Year Financial and Operating Summary

	1966	1965	1964
Total revenues	$ 2,691.7	2,601.2	2,264.8
Costs and Expenses:			
Employment costs	$ 1,147.6	1,080.8	973.1
Materials and services	1,023.6	1,016.8	831.5
Depreciation	212.0	196.1	181.2
Taxes, other than social security taxes	129.2	148.4	126.9
Interest and other debt charges	8.4	9.1	4.2
Total	$ 2,520.8	2,451.2	2,116.9
Net income—Amount	$ 170.9	150.0	147.9
—Per dollar of total revenues	6.4¢	5.8	6.5
—Per share of Common Stock	$ 3.72	3.26	3.11
Dividends—Preferred Stock (refunded in 1964)	$ —	—	6.5
—Common Stock	82.8	68.8	68.3
Capital expenditures—Wholly owned enterprises	$ 265.1	377.6	385.7
—Investments in partially owned enterprises	13.1	5.6	5.8
Long-term debt at year end	$ 231.0	240.3	263.4
Raw steel produced (net tons)	21,275,000	21,032,000	19,436,000
Steel products shipped (net tons)	13,849,000	14,319,000	12,762,000
Employees—Monthly average number	133,000	130,000	121,000
Common Stock at year end—Shares outstanding	45,982,000	45,987,000	45,511,000
—Stockholders	248,000	245,000	249,000

Dollars in millions, except net income per share

Classification of Stockholders

December 31, 1966

	Individuals			Fiduciary Individuals
	Male	Female	Joint Accounts	
Holders of record	72,645	89,661	61,590	18,093
Shares held	10,381,881	11,584,603	4,816,772	1,411,275

1963	1962	1961	1960	1959	1958	1957
2,116.2	2,096.8	2,057.1	2,209.0	2,079.1	2,024.3	2,624.9
924.3	914.1	913.0	945.7	860.0	857.7	1,000.7
785.7	812.6	750.8	856.5	830.1	745.5	1,099.3
163.7	155.5	98.1	94.2	97.6	108.7	110.6
136.5	121.9	168.8	187.8	170.0	168.2	215.6
3.5	4.0	4.0	3.6	4.2	6.5	7.7
2,013.7	2,008.1	1,934.7	2,087.8	1,961.9	1,886.6	2,433.9
102.5	88.7	122.4	121.2	117.2	137.7	191.0
4.8	4.2	5.9	5.5	5.6	6.8	7.3
2.11	1.80	2.54	2.52	2.44	2.91	4.13
6.5	6.5	6.5	6.5	6.5	6.5	6.5
68.3	99.0	109.2	109.2	108.8	107.5	105.3
177.3	144.5	114.3	169.9	86.7	91.4	209.0
31.1	48.3	30.7	12.1	2.0	13.1	16.2
128.9	135.4	138.7	140.4	149.5	159.9	171.2
16,109,000	14,677,000	14,944,000	15,941,000	14,257,000	13,393,000	19,123,000
10,987,000	10,391,000	10,045,000	11,419,000	10,268,000	9,686,000	13,536,000
120,000	122,000	128,000	141,000	129,000	143,000	167,000
45,511,000	45,511,000	45,511,000	45,488,000	45,455,000	45,088,000	44,644,000
254,000	258,000	235,000	209,000	187,000	171,000	146,000

Fiduciary Institutions	Brokers	Nominees and Investment Trusts	Insurance Companies	Charitable and Educational Institutions	Others	*Total*
1,015	478	1,373	125	935	2,492	248,407
368,412	5,599,250	9,529,113	629,945	520,978	1,139,546	45,981,775

Electronic Data Processing at Bethlehem

In today's world of speed and automation, the computer and electronic data processing are contributing to the progress of the steel industry.

Electronic data processing systems consist of a combination of units including input, storage, processing and output devices. They are designed to handle business or scientific data at electronic speeds. The key element of these systems is the processing unit, a high speed electronic computer. The unique capability that sets the computer apart from any other machine that man has created is the storage of alterable instructions that can direct the action of the machine. It is not always recognized, however, that the inherent advantages of a computer are limited by the capabilities of the persons who design the basic systems and prepare the instruction programs. It is only through their

This computer allows Bethlehem's Sales Department to handle orders with speed and efficiency.

Bethlehem's centralized data processing operation performs many assignments for sales, operations, accounting and communications.

Overall view of a computer room.

ingenuity that the computers perform an almost endless variety of functions.

Bethlehem Uses the Computer

Computers have become an integral part of Bethlehem's operations. For example, they provide prompt and accurate information for preparing bids by assisting in the solving of engineering and mathematical problems and by producing information and drawings specifying materials required. They control the operation of rolling mills and other plant facilities. They produce information used for inventory control. They process orders and production schedules to give Bethlehem's customers prompt service.

Data processing systems assemble cost and production statistics and produce analytical statements which enable management to make administrative decisions and assist in corporate planning.

The systems also process transfers of stock and debentures, dividend payments to Bethlehem's stockholders and interest payments to the registered holders of its debentures. Salary and wage checks are printed by computers which also maintain employee records relating to payrolls, insurance and pensions. Plants and sales offices are linked with the Home Office at Bethlehem in a communication network in which computers play an important role.

The increasing use of electronic data processing systems has resulted in improved efficiency and productivity and reduced costs. The systems are designed to enable employees and machines to work together to the best advantage of Bethlehem's customers and its stockholders.

Facilities

Steel Plants: Sparrows Point, Md. • Lackawanna, N.Y. • Bethlehem, Pa. • Burns Harbor, Ind. • Johnstown, Pa. • Steelton, Pa. • Los Angeles, Calif. • Seattle, Wash. • South San Francisco, Calif. • Lebanon, Pa. • Williamsport, Pa.

Fabricating Works: Pottstown, Pa. • Leetsdale, Pa. • Pinole Point, Calif. • Chicago, Ill. • Bethlehem, Pa. • Torrance, Calif.

Shipbuilding and Ship Repair Yards: Baltimore, Md. • Beaumont, Tex. • East Boston, Mass. • Hoboken, N.J. • San Francisco, Calif. • Sparrows Point, Md. • Terminal Island (San Pedro), Calif.

Other Manufacturing Units: Albany, N.Y. • Baltimore, Md. • Boston, Mass. • Buffalo, N.Y. • Charlotte, N.C. • Clearing, Ill. • Detroit, Mich. • Dunellen, N.J. • Elizabeth, N.J. • Fairfield, Md. • Hallandale, Fla. • Jacksonville, Fla. • Miami, Fla. • Minneapolis, Minn. • Philadelphia, Pa. • Raleigh, N.C. • Richmond, Va. • Romulus, Mich. • Staten Island, N.Y.

Iron Ore Mines: Negaunee, Mich.* • Hibbing, Minn.* • Hoyt Lakes, Minn.* • Sullivan, Mo.* • Cornwall, Pa. • Morgantown, Pa. • Labrador City, Labrador, Canada* • Marmora, Ontario, Canada • Schefferville, Quebec, Canada* • Belo Horizonte, Brazil* • La Serena, Chile • Buchanan, Liberia* • San Felix, Venezuela

Manganese Ore Mines: Macapa, Amapa, Brazil* • Autlan, Jalisco* and Molango, Hidalgo*, Mexico

Coal Mines: Jenkins, Ky. • Ebensburg, Pa. • Ellsworth, Pa. • Johnstown, Pa. • Barrackville, W. Va. • Buckhannon, W. Va. • Itmann, W. Va.*

Limestone Quarries: Presque Isle, Mich.* • Annville, Pa. • Hanover, Pa. • King of Prussia, Pa. • Milroy, Pa.

Rail Transportation: Five short line railroads in the vicinities of the Sparrows Point, Lackawanna, Bethlehem, Johnstown and Steelton Plants and one partially owned railroad serving certain coal mines near Johnstown, Pa.

Water Transportation: Eight ore vessels and three product carrying vessels on the Great Lakes; twenty-two ocean going ore and product carrying vessels; and three coastal barges.

**Partial Interest*

Products

Sheet and Strip Products: Hot-rolled, cold-rolled and galvanized sheets • Hot-rolled strip • Galvannealed sheets • Electro-galvanized sheets • Enameling sheets—Bethnamel • Prepainted sheets • Chromized sheets • Culvert sheets

Structural Shape Products: Wide-flange structural sections • Standard beams, angles and channels • Hollow structural sections

Plate Products: Sheared, universal and strip mill plates • Flanged and dished heads

Tin Mill Products: Electrolytic tinplate • Hot-dip tinplate • Blackplate • Double-reduced tinplate and blackplate • Electrolytic tin mill coated sheets

Alloy and Carbon Bars and Semi-Finished Products: Hot-rolled bars—standard and special sections • Blooms, billets and slabs

Rod and Wire Products: Wire rods • Manufacturers' wire—bright, galvanized, Bethanized and aluminized • Nails and staples • Bale ties and automatic baling wire • Barbed wire

Reinforcing Bars and Construction Specialty Products: Concrete reinforcing bars • Fabricated reinforcing bars • Welded wire fabric • Slabform, Bridgform and Reinform • Highway guard rails—beam and cable • Bridge railing • Cold-formed shapes • Steel joists

Piling Products: Sheet piling • H-piles • Piling pipe

Tubular Products: Continuous butt-weld pipe • Electric-resistance weld pipe • Oil and gas transmission line pipe

Railroad Products: Freight cars, industrial cars and car parts • Rails, tie plates and joint bars • Wheels and axles • Frog and switch material • Prefabricated special track work

Tool Steel Products: Tool steels • Specialty steels

Industrial Fastener Products: Bolts, nuts, rivets, spikes and other industrial fasteners • Mine roof bolting and supports • Sucker rods

Wire Rope and Strand Products: Wire rope and strand—Bethanized, galvanized and aluminized • Stress-relieved strand • Wire rope slings and spliced products

Forgings, Castings and Special Products: Forgings—press, hammer, drop and circular • Hardened steel rolls • Ordnance • Castings—steel, iron and brass • Ingot molds and stools • Tunnel segments • Ferro-manganese • Coal chemicals—tar, benzene, toluene, xylene and ammonium sulphate • Copper • Cobalt

Fabricated Steel Products: Bridges, buildings and other fabricated structures • Large diameter water pipe • Galvanized power transmission towers • Tanks and pressure vessels • Corrugated culvert pipe

Shipbuilding: Ships and ship repairs • Ship machinery and equipment • Offshore oil drilling rigs

Raw Materials: Iron ore • Manganese ore • Lime • Stone • Slag

Sales Offices

California
Los Angeles, San Francisco

Connecticut
New Haven

District of Columbia
Washington

Florida
Jacksonville

Georgia
Atlanta

Hawaii
Honolulu

Illinois
Chicago

Indiana
Indianapolis

Iowa
Des Moines

Maryland
Baltimore

Massachusetts
Boston

Michigan
Detroit, Grand Rapids

Minnesota
St. Paul

Missouri
St. Louis

New York
Albany, Buffalo
New York, Syracuse

North Carolina
Greensboro

Ohio
Cincinnati, Cleveland
Columbus, Dayton, Toledo

Oklahoma
Tulsa

Oregon
Portland

Pennsylvania
Bethlehem, Philadelphia
Pittsburgh, York

Texas
Dallas, Houston

Utah
Salt Lake City

Virginia
Richmond

Washington
Seattle, Spokane

Wisconsin
Milwaukee

Soft drink cans are an important and growing market for Bethlehem tinplate.

672, Printed in U.S.A.

Bethlehem Steel Corporation
Bethlehem, Pennsylvania 18016

BULK RATE
U.S. POSTAGE
PAID
Bethlehem, Pa.
Permit No. 8

HOWARD F BURNS
1956 UNION TRUST BLDG
CLEVELAND OHIO 44115